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TAGS: [EINV](#) [KIDE](#) [ECON](#) [EPET](#) [PGOV](#) [TRGY](#) [BTIO](#) [TD](#)
SUBJECT: PETROTRIN REJECTS DEMAND TO SETTLE WGTL DISPUTE

REF: PORT OF SPAIN 468; PORT OF SPAIN 430; PORT OF SPAIN 401

BUSINESS SENSITIVE INFORMATION; PLEASE PROTECT ACCORDINGLY

¶11. (SBU) SUMMARY. Lawyers for Trinidad and Tobago's state-owned oil company Petrotrin sent a letter dated December 2 to attorneys representing US-based World GTL (WGTL) rejecting that firm's claims that Petrotrin expropriated its property and fraudulently and negligently deprived WGTL of its investments and future earnings in a joint-venture gas-to-liquids (GTL) plant (reftels). In the letter, the firm Allen and Overy stated it represented both Petrotrin and the GOTT, and that its clients rejected WGTL's demand for an immediate \$50 million settlement. The letter states Petrotrin and the GOTT are prepared to contest WGTL's claims should WGTL carry through with a threatened lawsuit in New York federal court, but added that they remain willing to consider any proposals to settle the dispute. Charge discussed the matter with the Prime Minister's Permanent Secretary December 2 before we received news of the letter, and WGTL's president told us later that day that he fears a lawsuit would drag on for years. END SUMMARY.

GOTT/PETROTRIN REFUSE SETTLEMENT OFFER

¶12. (SBU) The New York office of the law firm Allen and Overy, acting on behalf of the Republic of Trinidad and Tobago (TT) and its parastatal oil company Petrotrin, sent a letter to attorneys for the US-based fuel processing company World GTL (WGTL) rejecting WGTL's previous demand for \$50 million to settle a dispute over a gas-to-liquids (GTL) joint-venture in Trinidad and Tobago (reftels). Petrotrin's lawyers stated that claims made by WGTL in a demand for settlement sent to Petrotrin and TT's attorney general November 2 were "devoid of merit," and that Petrotrin and the Republic "reject them in their entirety."

¶13. (SBU) In the letter, Petrotrin also countered WGTL's claims by asserting the U.S. company disregarded its contractual obligations to the joint-venture, refused to fund the project as agreed to in writing, and failed to develop the facility in a timely manner. The letter further asserts that Petrotrin's actions were taken to preserve and complete the project and to secure its viability, and were "justified by the express terms of the transaction...and fully consistent with applicable law." It also claims that WGTL "routinely" rejected prior Petrotrin proposals to reach a settlement and terminated discussions without explanation.

STILL ROOM TO NEGOTIATE?

¶4. (SBU) WGTL's president and CEO David Loring, who gave us a copy of the December 2 letter, said he fears Petrotrin is digging in for a court battle that could last years. WGTL's attorney's forwarded a draft complaint November 2 to Petrotrin and TT's attorney general along with a demand for \$50 million to settle the dispute. The complaint, to be filed in New York federal court, alleges, among other things, that Petrotrin and the GOTL expropriated WGTL property, and fraudulently and negligently deprived WGTL of its investments and future earnings associated with the GTL plant.

¶5. (SBU) In the December 2 letter, Petrotrin's lawyers stated that its clients "are prepared to contest World GTL's claims on the merits." The letter also states, however, that "Petrotrin is willing, as it has been from the outset, to listen to any rational proposals" that WGTL would put forward "as a possible way to settle any commercial disputes between the parties." WGTL's Loring has not told us whether his company would consider any other proposals at this point in time, but he did contact us on November 27 to help ascertain a point of contact at Petrotrin to discuss the

possibility of mediation. We reached out to Petrotrin's president, who told us that, because his company had received the November 2 demand letter and draft complaint from WGTL's lawyers Thompson and Knight, he preferred any communications regarding settlement options to be made through WGTL's attorneys, which we relayed to Loring.

EMBASSY ACTIONS TO DATE

¶6. (SBU) Since mid-September, the Embassy has taken the following advocacy steps on behalf of WGTL in its dispute with Petrotrin and the GOTL:

-- Communications with WGTL. PolEcon Chief and Econ/Commercial Officer communicate regularly with WGTL's president by email and telephone to discuss the facts of the dispute and to relay information we learn from the GOTL and other sources.

-- Advocacy at Petrotrin. PolEcon Chief and Econ/Comm Officer have discussed the matter with Petrotrin's president to ascertain his perspectives and to urge settlement. Communications have been via telephone, email and a meeting at his office with several other Petrotrin executives.

-- Political Advocacy. Charge has discussed the matter on several occasions with the Minister of Foreign Affairs and the Minister of Trade (who is also a Minister of State for Finance), urging the GOTL to approach the matter with a degree of flexibility and urging consideration of a settlement. Furthermore, Charge, after consultation with WGTL's president, forwarded a copy of WGTL's demand letter to both ministers, after which the Minister of Trade copied the Minister of Energy in his reply to the Charge. PolEcon Chief delivered the same message to the permanent secretaries at the energy and trade ministries.

-- Prime Minister's Office. Charge again urged flexibility on the matter to Sandra Marchak, the Prime Minister's Permanent Secretary, in a meeting December 2.

17. (SBU) COMMENT. All indications are that Petrotrin is very comfortable with its position regarding this dispute, and the GOTT representatives with whom we have spoken have expressed confidence in Petrotrin's handling of the matter. The fact that Allen and Overy stated that "the Republic" asked the firm to respond on its behalf in addition to Petrotrin suggests that the GOTT is well aware of the matter. The Prime Minister's PermSec gave away little in that regard, but when the Charge asked if Manning's affirmation in a speech November 24 that TT does not engage in expropriation (ref A) was in reference to the WGTL dispute, Marchak laughed and exclaimed, "Maybe!" Regardless of whether Petrotrin is sincere in its repeated assertions that it is willing to consider "reasonable" offers to settle this matter, both it and the GOTT seem to firmly consider the ball to be back in WGTL's court, either to file suit, or to propose a new alternative.

KUSNITZ